



THE ATTORNEY GENERAL OF TEXAS

AUSTIN, TEXAS 78711

CRAWFORD C. MARTIN
ATTORNEY GENERAL

January 11, 1967

Hon. Robert S. Calvert
Comptroller of Public Accounts
Austin, Texas

Opinion No. M-1

Re: Applicability of Oil
Production Tax on Tank
Bottoms

Dear Mr. Calvert:

You have asked this office for an opinion on whether tank bottoms are taxable under the crude oil production tax provided for by Chapter 4, Title 122A, Taxation-General, Vernon's Civil Statutes.

This question has previously been answered by Attorney General's Opinion 0-1320 (1939) a copy of which I am enclosing.

Also, in State v. Stack, 199 S.W.2d 701 (Tex.Civ.App. 1947), the Court has reaffirmed the position that tank bottom oil charged back to the producer as part of his allowable is taxable under the statute. The Court in that opinion stated:

"The manner in which the Railroad Commission fixes this allowance is certainly shown to be reasonable. Permits are required to clean tanks; the bottoms tested in the presence of Railroad Commission employees, and all merchantable or pipe line oil is charged back to the producer and only the remainder is moved and then only by permission of the Railroad Commission. Every precaution is taken to the end that all oil other than sediment is taxed." (Emphasis added)

Therefore, in keeping with Attorney General's Opinion 0-1320 and State v. Stack, supra, it is the opinion of this office that oil which is removed from tank bottoms and is chargeable back to the producer as part of his allowable, as provided by Rules and Regulations of the Railroad Commission, is taxable under Chapter 4, Title 122A, Taxation-General, Vernon's Civil Statutes.

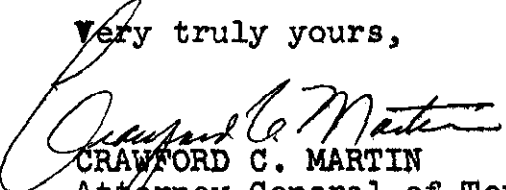
SUMMARY

Tank bottom oil that is chargeable back to the lease as part of the producer's allowable

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is taxable under the crude oil production
tax as provided for by Chapter 4, Title
122A, Taxation-General, Vernon's Civil
Statutes.

Very truly yours,


CRAWFORD C. MARTIN
Attorney General of Texas

Prepared by Linward Shivers
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:bp

APPROVED:
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